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C O N F I D E N T I A L BUENOS AIRES 000776

SIPDIS

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TAGS: EAGR ETRD PREL AR

SUBJECT: GOA PRESIDENT, OTHERS, DEFEND POLICIES RESTRICTING AGRICULTURAL EXPORTS

REF: A. STATE 53353

1B. STATE 53346

1C. STATE 52628

1D. BUENOS AIRES 747

1E. BUENOS AIRES 754

1F. BUENOS AIRES 733

Classified By: Ambassador E. A. Wayne for reasons 1.5 b & d

SUMMARY

11. (C) Ambassador and Emboffs raised the points provided in Ref A (Request to End Food Staple Export Restrictions), Ref B (Agricultural Biotechnology as a Tool to Fight Hunger), and Ref C (The President's Global Food Security Initiative and Trade) demarches with the President, Foreign Minister, and new Minister of Economy, as well as with other GoA officials responsible for trade and agriculture issues. Responses at all levels were consistent in justifying GoA agricultural export taxes and other restrictions, and also highlighting the surge in Argentine agricultural exports over the last five years. Post expects that, when addressing these issues (publicly and privately), GoA officials including the President will not only continue to defend GoA policies, but will also criticize agricultural subsidies by the US, EU and others, as well as other agricultural policies of developed countries. The President also seems intent on trying to blame speculators for price jumps. End Summary.

GoA Responses: President, Ministers, and others

12. (C) Ambassador raised Refs A-C issues with GoA President Cristina Fernandez de Kirchner (CFK) and Foreign Minister Taiana on May 29 (Ref E), and with Economy Minister Fernandez on May 28 (Ref D). CFK responded by emphasizing the role that technology (presumably including biotech) could play in increasing agricultural productivity gains, but also expressed her concern about the impact of speculators on ag commodity markets, which she subsequently reiterated on June 3 at UN/FAO conference in Rome. Taiana said that not only were GoA agricultural policies defensible, but that Argentina had increased its agricultural exports by 50% in the last 5 years. (Comment: Taiana appears to have been referring to the increase in quantity/volume, as GoA statistics show a 53% increase from 1Q2003 to 1Q2008 in the quantity of primary agricultural exports, and a 38% increase in the quantity of processed agricultural good exports, while the total value of each category increased well over 100% -- a result of higher world prices for these exports.) Taiana also added that the U.S. probably "will not like to hear what Argentina has to say about agricultural subsidies," but did not elaborate. Carlos Fernandez, in his position only since April 25, had no substantive comment, except to say he would inform the President about these concerns prior to her departure for the UN/FAO conference in Rome.

¶3. (C) DCM delivered Ref A and B demarches to Minister Taiana's Chief of Staff Alberto D'Alotto on May 27, who responded by noting the opportunity the current situation affords Argentina as an agricultural producer, but also to play a more visible and positive role in the world. He expressed concern that Argentina was squandering this opportunity by fighting (see Ref F) over who would benefit from the commodity boom, which is reducing incentives to take advantage of this historical price boom. DCM also delivered Ref A demarche on May 30 to Ambassador Raul Ricardes, National Director of International Organizations, who received it without comment. DCM had previously raised Refs B and C issues with Ricardes on May 23 in light of the UN/FAO conference in Rome June 3-5. On that occasion, Ricardes argued that developed world policies such as agricultural export subsidies caused more world food market distortions than GoA policies of export restrictions and export taxes.

¶4. (SBU) AgCouns delivered Refs A-C demarches to Geraldo Petri, National Director for Markets in the Secretariat of Agriculture (part of the Ministry of Economy) on May 22. Petri called the issues of export restrictions and export taxes very complicated politically. He also differentiated between restrictions and taxes, calling the restrictions (i.e., export bans and limits) short-term measures while categorizing taxes as strictly a fiscal issue. Petri stated that the GoA shares USG concerns about rising world food prices, and said that rising fuel and transportation costs were having a much greater impact on food costs than was biofuel production. He noted as evidence that the cost to ship Argentine wheat to its major export markets has risen from \$20 per ton to \$90 per ton over the last few years. He also argued that biotech was potentially an important part of the solution to this problem, alluding to our cooperation with Argentina in the WTO case against the EU over its biotechnology approval moratorium.

¶5. (SBU) Econoff delivered demarches to Miriam Chaves, agricultural specialist in the MFA's Multilateral Economic Negotiations office on May 30. Chaves responded that "biofuels especially" would be a controversial theme at the Rome conference, noting that it will be difficult to find a middle ground where all parties can agree. She commented that Brazil perhaps would have a good defense for its ethanol production, since sugar - unlike corn and soy - is not a staple food. On export restrictions, she stated that the GoA position is that the issue should be properly considered in the WTO, not in a conference like the one in Rome. She also argued that export taxes are strictly a domestic issue, and therefore should not be addressed in any international fora. She added that Doha negotiations were entering a defining period, and successful completion of the round could help alleviate some of the food supply problems the world currently faces.

COMMENT

¶6. (C) The demarches were delivered in the context of a major, long-lasting strike by agricultural producers protesting export restrictions and taxes on their products (Ref F and previous). The trigger for the strike was an increase in export taxes on several key products in March, and the strike and efforts to resolve it have been front-page news nearly every day for the last eleven weeks. Post took great pains to ensure that our message was delivered discreetly to the GoA so that it would not appear that we were taking sides in the dispute (i.e., with the ag producers). It is not surprising that the GoA has defended its export restrictions, nor that it argues that export subsidies and import restrictions in the developed world have had a greater effect on the worldwide spike in food prices than have export taxes and quantity limits imposed by developing countries. This line of argument usefully deflects attention away from the GoA policies, which are even more controversial within Argentina than beyond its borders.

The President's mention of "speculators" is also tied to Argentina's domestic conflict with the ag sector. The government is trying to split the farm community and put blame for rising domestic prices on large farming organizations funded by non-farmer investors (known locally as sowing "pools"). The GoA also accuses these organizations and their external capital of being speculators - despite the fact that additional productive farms increase supply. End Comment.

WAYNE